

## Message Text

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ORIGIN AGRE-00

INFO OCT-01 EA-07 ISO-00 CIAE-00 COME-00 EB-08 INR-07  
LAB-04 NSAE-00 EPG-02 SP-02 STR-04 TRSE-00 FRB-03  
OMB-01 L-03 /042 R

DRAFTED BY FAS/ITP/TOD: FGEERKEN  
APPROVED BY EB/OT/GCP: JSLATTERY  
USDA/FAS/ITP - GWHITE  
USDA/FAS/FCA: GSINDELAR  
USDA/FAS/FCA: RFITZSIMMONDS  
;NN  
TREASURY:JOHNSON (SUBS)  
STR:TREAGAN  
-----091431 270608Z /21  
R 270215Z JUL 77  
FM SECSTATE WASHDC  
TO AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: APPLE IMPORT SITUATION

1. FOR PAST FOUR YEARS USG HAS HAD CONTINUING DIALOGUE  
WITH GROC REGARDING LIBERALIZATION OF APPLE IMPORT MARKET.  
WE RECOGNIZE AND APPRECIATE THE EFFORTS OF EMBASSY IN  
OPENING TAIWAN MARKET IN 1973 TO TRIAL SHIPMENTS OF U.S.  
APPLES AND IN SUBSEQUENTLY WORKING TO INCREASE SHARE OF  
MARKET ALLOCATED TO U.S.

2. HOWEVER, IMPORT SYSTEM REMAINS HIGHLY RESTRICTIVE  
AND ECONOMICALLY DISADVANTAGEOUS TO BOTH FOREIGN SUP-  
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PLIERS AND DOMESTIC CONSUMERS (WHO PAY UP TO \$1.25 PER  
APPLE). WE ARE UNAWARE OF ANY OTHER COMMODITY BEING  
IMPORTED INTO TAIWAN WHICH IS ADMINISTERED IN SAME  
ARBITRARY FASHION AS APPLES. BOTH THE DUTY ON APPLES  
(78 ) AND THE DISCRETIONARY LICENSING SYSTEM (CONTAINED  
IN BID-AUCTION PROCEDURE) SEVERELY RESTRICT GREATER  
APPLE IMPORTS. FAS/USDA ANALYSIS OF MARKET SITUATION

STRONGLY SUGGESTS THAT U.S. APPLE EXPORT COULD BENEFIT SIGNIFICANTLY FROM A GREATER LIBERALIZATION OF THE MARKET. BASIC U.S. CONCERN IS THAT, UNDER PRESENT BID-AUCTION PROCEDURE, TENDERS OR INVITATIONS-TO-BID ARE ISSUED ON SPECIFIC QUANTITIES OF APPLES TO SPECIFIC SUPPLIER COUNTRIES AND FRUIT IS THEN AUCTIONED OFF TO HIGHEST DOMESTIC BIDDER ON BIDDER-TAKE-ALL BASIS. THIS PROCEDURE VIRTUALLY ELIMINATES ALL COMPETITION FROM MARKET-PLACE, TO DETRIMENT OF COMPETITIVE SUPPLIERS (SUCH AS THE U.S.) AND DOMESTIC CONSUMER (WHO IS FORCED TO PAY HIGHER PRICES).

3. U.S. DOES NOT ACCEPT ARGUMENTS TO EFFECT THAT U.S. COULD NOT COMPETE WITH KOREA AND JAPAN IN A FREE MARKET SITUATION, OR THAT LIBERALIZED IMPORTS WOULD RESULT IN A DISRUPTION OF DOMESTIC FRUIT TRADE THROUGH THE LOWERING OF PRICES.

4. RECENT FAS/USDA STUDY OF TAIWAN MARKET SHOWS THAT JAPANESE APPLES PRICED HIGHER THAN APPLES FROM U.S. NORTHWEST. U.S. CIF PRICE IN TAIWAN FOR NORTHWEST APPLES RUNS ABOUT 12 DOLLARS/CARTON; JAPANESE APPLES SELL FOR ABOUT 16 DOLLARS/CARTON. REPORTS INDICATE ALSO THAT LARGE JAPANESE APPLES (5 INCH DIAMETER) CURRENTLY RETAILING IN TAIWAN FOR UP TO 6 DOLLARS AND 58 CENTS PER APPLE. U.S. SUCCESS IN PENETRATING AND MAINTAINING APPLE MARKETS IN LIMITED OFFICIAL USE

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FAR EAST GENERALLY HAS BEEN DUE TO A CONSISTENTLY HIGH QUALITY PRODUCT. IT IS HIGHLY QUESTIONABLE WHETHER KOREAN APPLES ABLE TO COMPETE WITH OURS IN ANY LARGE QUANTITY BECAUSE THEY FALL FAR SHORT OF U.S. QUALITY STANDARD.

5. AS TO DISRUPTION OF DOMESTIC MARKET, TAIWAN IS EXTREMELY SMALL APPLE PRODUCER. TOTAL PRODUCTION AMOUNTS TO ONLY 4,000 MT OF RED DELICIOUS. ALSO, CONSUMPTION OF DOMESTIC PRODUCTION OCCURS DURING VERY BRIEF TIME PERIOD, PRIOR TO U.S. MARKETING SEASON, THEREBY ELIMINATING DIRECT COMPETITION WITH THE U.S. PRODUCT. PRESENT VOLUME OF IMPORTED APPLES AND DISTRIBUTOR INTEREST IN EXPANDING THIS MARKET INDICATES THERE IS CONSIDERABLE MARKET POTENTIAL FOR U.S. APPLES.

6. SINCE 1973 CONGRESSIONAL, GUBERNATORIAL AND PRIVATE TRADE INTEREST AND CONCERN IN THE PROBLEM HAS RISEN CONSIDERABLY.

7. THUS FAR, ALL APPROACHES TO GROC HAVE BEEN MADE ON INFORMAL BASIS, BUT CONVERSATIONS WITH TAIWANESE AUTHORITIES HAVE RESULTED IN NO PROGRESS.

8. ACCORDINGLY, EMBASSY REQUESTED TO MAKE FORMAL REPRESENTATIONS AT THE HIGHEST APPROPRIATE LEVEL TO REQUEST THAT (1) TAIWAN INCREASE VOLUME OF IMPORTED APPLES BY SUBSTANTIALLY ENLARGING PRESENT QUOTA; (2) APPLE IMPORT SYSTEM BE OPENED TO ALL PRIVATE TRADERS; AND (3) CURRENT DUTY OF 78 PERCENT BE ELIMINATED OR REDUCED TO MORE REASONABLE

LEVEL. WHILE IT IS UNLIKELY THAT GROC WILL BE WILLING TO TOTALLY ABANDON SOME LEVEL OF DUTY ON APPLE IMPORTS, WE HOPE IT WILL AT LEAST CONSIDER ELIMINATING ITS PRESENT POLICY OF ALLOCATING MARKET SHARES ON A COUNTRY BASIS AND INITIATE A PROGRAM OF OPEN LICENSING UNDER AN ENLARGED GLOBAL QUOTA. EMBASSY SHOULD POINT OUT THAT MORE OPEN LIMITED OFFICIAL USE

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LICENSING SYSTEM AND LOWER TARIFF PROBABLY WOULD RESULT IN NO LOSS OF REVENUE TO GROC BECAUSE IT WOULD BE COLLECTING DUTIES ON ENLARGED VOLUME OF IMPORTS. VANCE

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## Message Attributes

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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009